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GENERAL

1. UN secretary general to delay poll on reconvening General Assembly:

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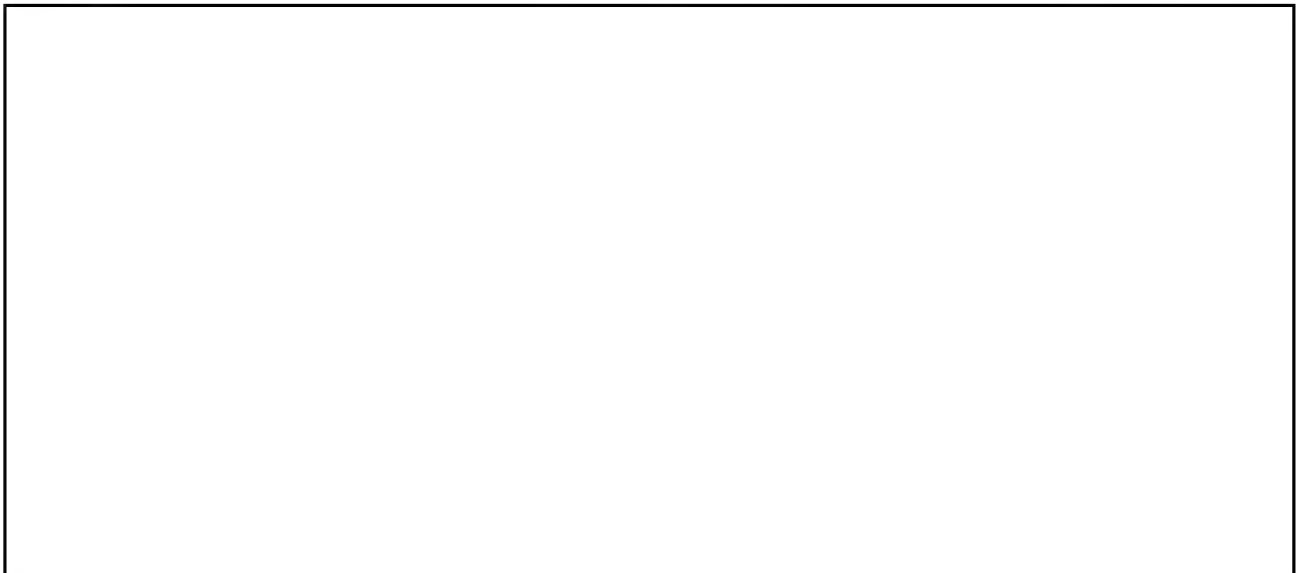
Secretary General Dag Hammarskjold assured a member of the American UN delegation on 13 July that he is opposed to reconvening the General Assembly prior to the signing of a Korean armistice. He said that he would delay polling

UN members on the issue at least until next week.

Comment: General Assembly president Pearson stated last week that in accordance with the formal request from Indian prime minister Nehru, he would ask the secretary general on 14 July to poll UN members about the desirability of a special session. Pearson feels that no further delay is possible.

The secretary general is obliged under UN rules of procedure to conduct such a poll immediately upon a formal request from any UN member state. However, Hammarskjold apparently feels that he can administratively delay the poll for at least a short time.

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SOVIET UNION

3. Comment on Malyshev replacement:

The revelation in Evening Moscow that I. I. Nosenko has replaced V. A. Malyshev as minister of transport and heavy machine building, a key economic post, has aroused speculation that Malyshev is the first of many high-level figures to be purged in the wake of Beria's arrest.

Part of the Associated Press report on Malyshev's replacement was not passed by the Moscow censor which may indicate either that his status was not known by the censor or that a suggestion of his being purged was cut out.

While his purge remains a possibility, it should be noted that Malyshev has had no known connection with Beria. His appearance at the Bolshoi Theatre on 27 June with 11 of the 14-member presidium suggests that he had replaced Melnikov, who was absent, as an alternate member of that body.

Malyshev, a top-flight administrator with engineering background, was once reported as involved in producing equipment for Russia's atomic energy program. He may have moved out of his previous ministerial position to take over the direction of atomic energy in place of Beria.

Nosenko, who has been Malyshev's deputy since 1950, is also a top-flight engineering administrator and a logical choice for his present position.

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4. Yugoslav charge in Moscow reports arrest of Soviet generals:

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[REDACTED] The American embassy in Moscow reports that one of its more reliable sources, the Yugoslav charge, has "confirmed" recent rumors concerning the arrest of certain army officers including General Sinilov, chief of the Moscow garrison, and General Artemev, commander of the Moscow Military District. The Yugoslav's source, a Red Army colonel, reportedly added that rumors were circulating in army circles that the government planned a reduction in the armed forces.

In the opinion of the Yugoslav charge, the Beria case was a serious blow to the regime, and he expressed apprehension that a feeling of weakness might lead the Soviet leaders "into actions which otherwise they might not take." He also believed that a stiffening in the Soviet attitude would take place in the immediate future.

Comment: Both Sinilov and Artemev have held their present posts for many years. As head of the Moscow Military District, Artemev has provided troops on occasion as auxiliaries to MVD forces for government protection and in 1939 was reported to have commanded a motorized rifle division for security police operations. An earlier reported rumor of Marshal Zhukov's arrest has been negated by a press report of his presence at a Mongolian embassy reception on 12 July.

The Soviet regime probably does not feel so unstable as to consider it necessary either to go to war or to make major concessions to the West to maintain itself in power. Indications since Beria's ouster suggest that the Soviet leaders will continue the "conciliatory" post-Stalin foreign policy.

FAR EAST

5. American embassy comments on South Korean repudiation of economic agreement:

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[REDACTED] The South Korean government has informed American officials that it will not honor its previous agreement relative to a hwan-dollar

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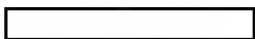
exchange rate, and that it has "decided not to advance any more hwan" to the UN Command. The note, dated 10 June but only delivered within the last week, asserted that the exchange rate will remain at 60-1 unless the United States agrees to a permanent rate of 180-1, and announced that the United States must settle for all hwan drawings since 30 April at the former rate.

The American embassy comments that South Korea's "bare-faced" disregard of its commitments as well as of economic realities, shows that in the economic as well as military and political fields, the government believes that the United States cannot afford to withdraw its support.

6. Chinese Communists reportedly raid main Nationalist-held offshore islands:

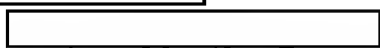
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Small groups of Chinese Communist troops during the first week of July raided Chinmen and two other Nationalist-held islands close to Amoy in Fukien Province, 

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 Several Chinese Nationalist soldiers were captured by the Communists before their withdrawal.

Comment: These raids may have been made to gain basic information prior to a major attack. Chinmen, the largest of the Nationalist-held islands immediately off the China coast, is now garrisoned by approximately 50,000 men.

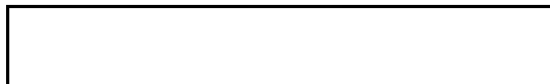
The Chinese Communists are currently conducting a campaign against the Tachen Islands about 400 miles to the north.



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NEAR EAST - AFRICA

8. Caffery blames British military for new crisis in Egypt:

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Ambassador Caffery feels that the British military authorities at the Suez base "have again upset the apple cart" in Egypt and is convinced that the whole affair is the result of "almost incredible blundering of the British military." The fact that the British seem honestly surprised at Egyptian reaction, Caffery considers evidence of their failure to grasp the real temper of Egypt.

He believes that the British "ultimatum" to the subgovernor of Ismailia for the return of the RAF airman, allegedly abducted by a "well-known thug" and an Egyptian officer, and the subsequent military controls established around the town have laid the British open to current inflammatory Egyptian statements.

According to Caffery, British embassy spokesmen have stated categorically that the Suez military officials took action in reference to the airman on their own initiative. British charge Hankey left the impression with Caffery that he was extremely upset by the affair and trying hard to play it down.

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WESTERN EUROPE

9. More trouble anticipated in East Berlin:

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American officials in Berlin believe that the partial withdrawal of Soviet military forces from the city is designed to salvage the prestige of the East German Communist Party by demonstrating confidence in its ability to control the situation without Soviet assistance.

The slow-down campaign in the factories and the demonstrated weakness of the East German government make it possible, however, that there will be further uprisings, which could be put down only by Soviet force. Some heavy military equipment and several thousand Soviet troops are still in or near Berlin. The factory workers are continuing to make both economic and political demands, but they appear to lack effective organization above the factory level.

Comment: Reports that strikes are planned in a number of East German cities for mid-July suggest that the economic reforms have been insufficient to placate the population. An East German Christian Democratic paper is said to have called for "a basic political solution" for the zone's "grave internal illness."

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